

# Bird & Bird & Trade Secrets

## *An overview of the protection of Trade Secrets in the UAE*

This is the 15<sup>th</sup> in a series of articles written by members of our International Trade Secrets Group, highlighting points of note regarding the protection of Trade Secrets in various jurisdictions. In this article, we move on to consider the position in the UAE.

As a signatory to the **TRIPS Agreement**, trade secrets are afforded protection within the UAE in a number of ways. Whilst there is no statutory definition for “trade secrets”, the concept nonetheless exists and trade secret protection is provided across various UAE Federal Laws with respect to confidential information – both in a general and employment context.

The Federal Law concerning the Penal Code makes it a criminal offence for an individual who “... *by virtue of his profession, craft, position or art is entrusted with a secret and divulges it in cases other than those allowed by law or if used for his own personal interest or for the interest of another person, unless authorized by the confiding person to disclose or use it*”.

In an employment context, the Federal Law promulgating the Civil Transactions Law (**Civil Code**) obliges employees to “*safeguard the industrial or commercial secrets of their work, even after the expiration of the contract, as required by the agreement or customarily practiced*”. It also states that employee’s “*Actions in relation to the disclosure of trade secrets*” are not subject to limitation periods.

### **Trade Secrets within the DIFC**

Various free zones operate within the UAE, and each may implement their own laws and regulations separate to the UAE Federal Law. One such free zone in Dubai is the Dubai International Financial Centre (**DIFC**), who have recently enacted the DIFC IP Law which deals with intellectual property and trade secrets. The DIFC has its own courts who can issue judgements, and these judgements can be enforced outside the free zone by the local UAE authorities (i.e. enforced ‘onshore’) if the subject of the enforcement is situated outside the DIFC.

Under the DIFC IP Law, a trade secret is defined to mean: “*all forms and types of financial, business, scientific, technical, economic or engineering information, including patterns, plans, compilations, programs, devices, formulas, designs, prototypes, methods,*

*techniques, processes, procedures, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialised physically, electronically, graphically, photographically, or in writing*”. This definition closely mirrors parts of the definition under Section 1839(3) the United States Code. However, under the DIFC IP Law, only those “trade secrets” which meet the below criteria are afforded protection:

- (1) “*the information involved constitutes a trade secret, or part thereof;*”
- (2) “*the information derives actual or potential economic value from not being generally known to other persons who may obtain economic value from its disclosure or use; and*”
- (3) “*the person lawfully in control of the information has taken reasonable measures to keep the information a secret.*”

Under the DIFC IP Law, a key element of acts that constitute misappropriation of a trade secret is that the infringer has obtained the trade secret by “Improper Means”, such as by way of “*fraud, forgery, theft, bribery, misrepresentation, breach or inducement of a breach of a legal or contractual duty to maintain secrecy, or espionage through electronic or other means*”. This makes it possible for a trade secret to be uncovered via legitimate means, such as discovery via publicly accessible information, independent discovery or reverse engineering.

### **Protection of Trade Secrets**

In the UAE, it is common for trade secret owners to protect their trade secrets by contractual means to limit the recipient from use or disclosure of the trade secret information (such as a non-disclosure agreement). To further enhance protection of trade secrets, owners will commonly ensure the disclosure of the trade secret is done in the strictest of confidence.

In an employment context, employers may impose obligations on their employees in their employment contracts and/or internal policies. It is not unusual for employers in the UAE to request that their employees sign a non-disclosure agreement at the start of their employment, which would include either several or mutual obligations, warranties and indemnities.

The Federal Law on the Regulation of Labour Relations gives employers the right to dismiss an employee without prior notice or the payment of end of service gratuity if the employee “*divulges any of the secrets of the establishment where [that employee] works*”. It should be noted that these provisions relate to individuals who may misuse confidential information but does not assist when a company (say an individual’s new employer) receives third parties’ confidential information.

In accordance with the Civil Code, the time limitation of one year for filing a claim relating to the violation of an employment contract does not apply to “*actions in relation with the disclosure of trade secrets*”.

## Relief

In the UAE, local courts do not grant injunctions (except in the DIFC courts which is a common law jurisdiction). Local courts are able to grant “stop orders”, but such orders do not prevent infringing conduct from occurring in future, as is available under a permanent injunction granted in common law countries. More commonly, the relief granted by local courts is limited to confiscation of the infringer’s materials related to the violation and/or imposition of a fine.

Where damages are sought by the trade secret owner, it is necessary under the UAE Civil Code for the owner to file a separate civil case against the infringer and seek damages.

In addition, there remains the ability for the owner to make an official complaint with the UAE Ministry of Economy who will (if required) coordinate with police to carry out a raid to investigate the alleged infringement. Depending on the outcome, this may result in a criminal prosecution of the infringer. The infringer may be subject to a minimum period of imprisonment of one year and/or

to a minimum fine of AED 20,000 under the Penal Code. It is important to note that courts in the UAE tend to take into consideration whether or not there was “criminal intent” behind the infringer’s actions.

In the event the infringement occurs within the DIFC and the owner brings a claim before the DIFC courts, the free zone adopts common law which means other types of relief (such as injunctions and pecuniary damages) may be available. In considering whether to grant this type of relief, the DIFC IP Law requires the DIFC Court to consider “*the loss, including future loss that is established with a reasonable degree of certainty; the value of the subject right infringed and the loss of an opportunity in proportion to the probability of its occurrence*”.

## Get in touch

### Melissa Murray

Partner

Tel: +97 143 093 214  
[melissa.murray@twobirds.com](mailto:melissa.murray@twobirds.com)



### Eddie Chiu

Associate

Tel: +97 126 108 102  
[eddie.chiu@twobirds.com](mailto:eddie.chiu@twobirds.com)



## twobirds.com

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